

**RESALE POWER GROUP OF IOWA  
DES MOINES, IOWA**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
FEBRUARY 28, 2010 AND FEBRUARY 28, 2009**

# RESALE POWER GROUP OF IOWA

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## RESALE POWER GROUP OF IOWA

### OFFICIALS

#### *Administrative Board -*

Terry Hershberger	President	Amana Society Service Company
Pat Stief	Vice-President	Traer Municipal Utilities
Warren McKenna	Secretary/Treasurer	Farmers Electric Cooperative
Dan Wilson	Member	Ogden Municipal Utilities
Lori Glanzman	Member	Mount Pleasant Municipal Utilities
Gary Obbink	Member	Sibley Municipal Utilities
Jeff Ishmael	Member	Story City Municipal Utility

#### *Others -*

Kris Stubbs	Chief Administrative Officer	Resale Power Group of Iowa
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Catherine T. Kellogg, C.P.A.

## INDEPENDENT AUDITORS' REPORT

Resale Power Group of Iowa  
Des Moines, Iowa

We have audited the accompanying financial statements of the Resale Power Group of Iowa as of and for the years ended February 28, 2010 and February 28, 2009. These financial statements are the responsibility of Resale Power Group of Iowa's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Resale Power Group of Iowa as of February 28, 2010 and February 28, 2009, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2010, on our consideration of Resale Power Group of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Resale Power Group of Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

June 15, 2010

By  \_\_\_\_\_  
Certified Public Accountant

# RESALE POWER GROUP OF IOWA

## STATEMENTS OF NET ASSETS FEBRUARY 28, 2010 AND FEBRUARY 28, 2009

ASSETS	2010	2009
Cash and Invested Funds -		
Operations	\$ 4,062,198	\$ 3,891,011
Transmission	-	26,290
MISO Collateral Reserve	634	822,484
Total Cash and Invested Funds	4,062,832	4,739,785
Accounts Receivable	3,073,950	2,908,385
Collateral Deposit - MISO	821,850	-
Property and Equipment, Net	4,582	6,382
Total Assets	<u>\$ 7,963,214</u>	<u>\$ 7,654,552</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable - Trade	\$ 2,870,702	\$ 2,664,480
Payroll Liabilities	7,677	7,485
Total Liabilities	2,878,379	2,671,965
Net Assets -		
Unrestricted	5,084,835	4,982,587
Total Liabilities and Net Assets	<u>\$ 7,963,214</u>	<u>\$ 7,654,552</u>

See Notes to Financial Statements.

# RESALE POWER GROUP OF IOWA

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEARS ENDED FEBRUARY 28, 2010 AND FEBRUARY 28, 2009

	2010	2009
<b>OPERATING REVENUES:</b>		
Wholesale Energy Revenue	\$ 35,767,664	\$ 38,477,163
Total Operating Revenues	35,767,664	38,477,163
<b>OPERATING EXPENSES:</b>		
Wholesale Energy Expense	35,226,377	35,970,508
Consultant Expense	202,248	118,338
Legal Expense	13,873	11,223
Other Operating Expenses	240,754	226,372
Total Operating Expenses	35,683,252	36,326,441
Operating Income (Loss)	84,412	2,150,722
<b>NON-OPERATING REVENUE:</b>		
Miscellaneous Income	4,529	-
Interest Income	13,307	62,357
Total Non-Operating Revenue	17,836	62,357
Change in Net Assets	102,248	2,213,079
Net Assets, Beginning of Year	4,982,587	2,769,508
Net Assets, End of Year	\$ 5,084,835	\$ 4,982,587

See Notes to Financial Statements.

# RESALE POWER GROUP OF IOWA

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED FEBRUARY 28, 2010 AND FEBRUARY 28, 2009

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Wholesale Energy Sales	\$ 35,602,099	\$ 38,419,646
Cash Payments for Wholesale Energy Purchased	(35,020,155)	(35,817,854)
Cash Payments for Operating Expenses	(454,883)	(351,915)
Net Cash from Operating Activities	127,061	2,249,877
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash Paid for MISO Collateral Deposit	(821,850)	(525,000)
Cash Received for Member Transmission Investment	293,637	-
Cash Paid to Members for Transmission Investment	(293,637)	-
Cash Received for MISO Collateral Account	-	822,484
Cash Paid for Property and Equipment	-	(4,911)
Cash Received for Other	4,529	-
Cash Received on Investment Earnings	13,307	62,357
Net Cash From Investing Activities	(804,014)	354,930
Increase (Decrease) in Cash and Invested Funds	(676,953)	2,604,807
Cash and Invested Funds, Beginning of Year	4,739,785	2,134,978
Cash and Invested Funds, End of Year	<u>\$ 4,062,832</u>	<u>\$ 4,739,785</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating Income (Loss)	\$ 84,412	\$ 2,150,722
Non-cash Depreciation Expense	1,800	1,800
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Receivables	(165,565)	(57,517)
Increase (Decrease) in Accounts Payable	206,222	152,654
Increase (Decrease) in Payroll Liabilities	192	2,218
Net Cash from Operating Activities	<u>\$ 127,061</u>	<u>\$ 2,249,877</u>

See Notes to Financial Statements.

**RESALE POWER GROUP OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Organization -***

Resale Power Group of Iowa (RPGI) was organized in 1986 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of RPGI is to obtain wholesale electric energy and transmission thereof and other related services, and otherwise act on behalf of, its members. Management is comprised of an administrative board selected from RPGI members.

RPGI members are either public or private agencies who are bound by the terms of the 28E agreement filed with the Iowa Secretary of State. RPGI's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**B. *Reporting Entity -***

The Governmental Accounting Standard Board (GASB) requires RPGI to consider if it has oversight or control over any other legal entities and has set forth criteria to consider such in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of an organization to impose its will on another organization or (2) the financial burdens on another organization. RPGI has no such oversight or control and therefore has no component units which meet the Governmental Accounting Standards Board criteria.

**C. *Basis of Presentation -***

As a 28E organization, the accounts of RPGI are organized as a governmental entity with its activities reported as an enterprise fund. Enterprise funds are used to account for operations: (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services on a continuing basis be financed or recovered primarily through user charges or, (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**D. *Measurement Focus and Basis of Accounting -***

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

RPGI applies all applicable GASB pronouncements, as well as following pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements.

**E. *Revenue Recognition -***

RPGI distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with its principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. ***Budget -***

RPGI is not required by the Government Accounting Standards Board to and does not publish or approve a public budget. RPGI does, however, prepare an internal-use-only budget as required by Chapter 28E of the Code of Iowa.

G. ***Use of Estimates -***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H. ***Cash and Invested Funds -***

Cash and invested funds (cash equivalents) for the purpose of reporting cash flows, consists of cash and funds in operating bank accounts, including Iowa Public Agency Investment Trust (IPAIT).

I. ***Property and Equipment -***

Property and equipment are recorded at cost, and depreciation is provided using the straight-line method over the estimated useful lives of the assets. Major acquisitions and improvements are capitalized. Expenditures for maintenance, repairs and acquisitions of minor items are charged to earnings as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reported in operations for the period.

J. ***Income Taxes -***

RPGI is exempt from federal income taxes pursuant to Revenue Ruling 77-261, 1977-2 C B 45.

## NOTE 2 - CASH AND INVESTMENTS

RPGI is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by RPGI; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

All monies deposited with Iowa Public Agency Investment Trust (IPAIT) are held in the IPAIT Diversified Portfolio. The balances totaling \$4,887,682 and \$4,739,785 for 2010 and 2009, respectively, are not FDIC insured as IPAIT is not considered a financial institution. Instead, IPAIT is a common law trust established under Iowa law which authorizes Iowa public agencies to jointly invest monies pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940. Investments in IPAIT are not classified as to custodial credit risk.

### NOTE 3 - COLLATERAL DEPOSIT

RPGL, as authorized agent for and on behalf of its participant members, entered into an unsecured pro rata guaranty with the Midwest Independent System Operator (MISO) for the provision of transmission, ancillary and related services. The maximum financial obligation of this instrument is limited to \$1,000,000. In the event that RPGL's maximum financial obligation exceeds \$1,000,000, RPGL is required to place additional financial assurances with MISO in an amount equal to or greater than this additional credit exposure. Additional financial assurances may take the form of cash deposits or irrevocable standby letter of credit. As of February 28, 2010 and February 28, 2009, RPGL's cash deposit with MISO was \$821,850 and \$0, respectively.

### NOTE 4 - PROPERTY AND EQUIPMENT, NET

At February 28, 2010 and February 28, 2009, the cost and accumulated depreciation of property and equipment are as follows:

	2010	2009
Office Furniture and Equipment Cost	\$ 9,000	\$ 9,000
Less Accumulated Depreciation	4,418	2,618
Property and Equipment, Net	<u>\$ 4,582</u>	<u>\$ 6,382</u>

### NOTE 5 - SERVICE AGREEMENT

RPGL has a one year service agreement with Ameren Energy Marketing Company (Ameren), whereby Ameren provides delivery of wholesale electric energy on a levelized basis to RPGL through December 31, 2010. RPGL has agreed to purchase certain minimum megawatt-hours of energy from Ameren. In turn, RPGL has executed electric services agreements with its participating members to utilize the energy provided by Ameren pursuant to the service agreement.

During 2009, management executed another one-year, base load contract with Ameren. This contract extends service through December 31, 2011. Due to the disparity of the rates between the two contract periods and regional economic concerns, management decided to blend rates to members for the upcoming two-year period. This will result in an intentional under collection of energy costs in 2010. This under collection will be recovered through the use of higher blended rate in 2011.

### NOTE 6 - OTHER CONTINGENCIES

There are legal proceedings against RPGL. While it is not presently possible to predict or determine the outcome of these proceedings, it is the opinion of management that their outcome will have no material adverse effect on the financial position of RPGL.

### NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 10, 2010, the date the financial statements were available to be issued, and believes that no events have occurred that require adjustment of, or disclosure in, the financial statements.

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCES WITH GOVERNMENT AUDITING STANDARDS**

Resale Power Group of Iowa  
Des Moines, Iowa

We have audited the financial statements of the Resale Power Group of Iowa (RPGI) as of and for the years ended February 28, 2010 and February 28, 2009, and have issued our report thereon dated June 15, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audits, we considered RPGI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of RPGI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RPGI's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects RPGI's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood a misstatement of RPGI's financial statements that is more than inconsequential will not be prevented or detected by RPGI's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by RPGI's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether RPGI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the RPGI's operations for the years ended February 28, 2010 and February 28, 2009, are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the RPGI. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report is intended solely for the information and use of management, the members and customers of RPGI, and other parties to whom it may report and is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

June 15, 2010

By \_\_\_\_\_  
Certified Public Accountant

**RESALE POWER GROUP OF IOWA**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2010**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS:**

Significant Deficiencies -

No matters were noted.

Instances of Non-Compliance -

No matters were noted.

**OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:**

- (1) Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Resale Power Group of Iowa officials or employees were noted.
- (3) Board Minutes - No transactions were found that we believe should have been approved in the Administrative Board minutes but were not.
- (4) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.